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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

No. 36

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USSR REPORT  
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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### MARKET PRICES DISCUSSED, LETTERS WRITTEN

#### Expansion of Kolkhoz Markets Stressed

Moscow KOMSOMOL'SKAYA PRAVDA in Russian 27 Apr 82 p 2

[Article: "Surpluses Are not Superfluous"]

[Text] A number of published items—"The Market: Trade or Profit?" (7 August 1981), "Money That Is not Easy Is Honest Money" (25 September 1981), "Operation 'Market'" (23 January 1982)—KOMSOMOL'SKAYA PRAVDA, guided by readers' letters, touched upon a whole series of questions of organization of kolkhoz and cooperative trade, the struggle against speculation, resellers. The materials of "Operation 'Market,'" carried out by the newspaper, were studied at ministries and departments. In publishing today the official answers, the editors are at the same time asking readers to speak, who have pointed out unsolved problems. We thank everybody who responded to the action of KOMSOMOL'SKAYA PRAVDA.

#### The Paper Proposed

The chief of Chelyabinskaya Oblast's kolkhoz markets administration, P.V. Chernokun, brought up the question of release of credits to markets for the purchase of products for the population.

#### The Official Reply

USSR Deputy Finance Minister A.N. Kamenskov reports: in accordance with the decree of the CPSU Central Committee and the USSR Council of Ministers "On Measures for Further Development of Trade and Improvement of Trade Facilities for the Population During the 11th Five-Year Plan," kolkhoz markets have been permitted "to make a preliminary payment for the cost of agricultural products accepted from the population for sale through the bureau of trade services of kolkhoz markets with funds of one-time collection and payment for services. Gosbank USSR issues in necessary cases cash money for the indicated purposes from the current accounts of kolkhoz markets. In case of a temporary shortage of funds, Gosbank USSR extends to kolkhoz markets payment credit for a period

of up to 30 days with subsequent repayment from profits from the sale of agricultural products and other payments."

The USSR Ministry of Trade, Deputy Minister P.D. Kondrashov reports, examined the raid material of "Operation 'Market'" and considers that the questions raised in it are pertinent. It proposes to republic trade ministries to improve supervision over kolkhoz markets. It requires in particular that consumer cooperative organizations, kolkhozes and sovkhoses provide required trade and warehousing space at markets on demand.

#### The Paper Proposed

A. Plaksin and other comrades thought it necessary to intensify the struggle against speculation.

#### The Official Reply

The adopted measures were reported to the editorial office by A. Mikhail'kov, deputy chief of the Internal Affairs Administration of Dnepropetrovskiy Oblispolkom, A. Filatov, chief of the Department for Combating Embezzlement of Socialist Property and Speculation of the Internal Affairs Administration of Ivanovskiy Oblispolkom, A. Naymanov, chief of the Internal Affairs Administration of Chirkentskiy Oblispolkom and E. Mukhamedov, chairman of Arys' City Soviet of People's Deputies.

The official replies stated that the cases presented in the paper did occur. In Dnepropetrovskaya Oblast "additional measures were taken for activating the struggle against speculation. Special attention is given to combatting speculation of agricultural products and putting an end to cases of buying things up in a wholesale manner. With respect to a number of gross violations of the rules of trade, the guilty parties are being criminally prosecuted." "For intensification of the struggle against speculation in the city of Ivanovo and in the oblast's rayons, permanent active operative groups have been created." In Chirkentskaya Oblast, "internal affairs organs have exposed several groups of persons engaged in the buying up and resale of agricultural products at markets."

#### The Paper Proposed

"My advice, wrote G.N. Vol'f of the Omsk Tselinnyy Sovkhoz, is to organize the receipt of product surpluses from the population. I know through personal experience how much in the way of goods disappears."

#### The Official Reply

As N.P. Smirnov, deputy chief of the Main Administration for Organization of Purchases of Surplus Agricultural Products and Cooperative Trade of the USSR Central Union of Consumer Cooperatives, reports, only last year, directly at places of production, "there were opened more than four thousand centers for acceptance of agricultural products from the population." Before the end of the five-year plan, another 17,000 such centers will be opened. This year,

series production of "mobile reception-procurement centers on truck trailers will begin."

For 1981-1985, consumer unions of union republics, it is stated subsequently in the reply, "will be set additional targets for opening stores trading in agricultural products in cities and industrial centers of the country." Targets have also been set for the sale of basic types of agricultural products in enterprises of city cooperative trade and for the creation of a network of city cooperative trade organizations.

At the same time, it should be noted that city cooperative trade in agricultural products, including at kolkhoz markets, is developing inadequately, although its advantages are obvious. Consumer cooperatives sell agricultural products at prices below market prices and thus in many cases significantly lower prices at the markets.

For the purpose of increasing the sale of agricultural products at kolkhoz markets, the following, in our opinion, is necessary: to permit consumer-cooperative organizations to buy up agricultural products brought by the population from other oblasts, krays and republics in the instance where these agricultural products are not produced in the given locality or their resources are limited. At the present time, offices of Gosbank USSR refuse to issue credits for these purposes, which fact is taken advantage of by speculators who buy up agricultural products and thus force up market prices.

Steps should be taken to increase shipments of agricultural products to kolkhoz markets from kolkhozes and sovkhoses. At the present time, the share of their participation in the sale of agricultural products at kolkhoz markets is quite insignificant, while in some economic regions of the land kolkhozes and sovkhoses do not trade at markets.

#### Problems of the Honest Trader

Moscow KONSOMOL'SKAYA PRAVDA in Russian 25 Sep 81 p 2

[Article by Correspondent V. Oskolkov, Leningrad: "Money That Is not Easy Is Honest Money"]

[Text] I have in my hand two sheets, densely written in small handwriting. The author, Fedor Markovich Kryachko, was a frontline soldier and has been a communist for almost forty years. He was the first to respond to the report "The Market: Trade or Profit?", published in the 7 August 1981 issue of SOBESEDNIK. Here is what he writes:

"I will answer as follows to the question raised by the paper: today's market is essentially for profit. Of course, there are mass seasonal shipments, for example, of potatoes, when it can be seen that kolkhoz farmers have brought in surpluses of their production. And then prices go down. But for the rest of the time, the same people are to be found behind the stands who are by no means of kolkhoz origin and what they sell are not surpluses but repurchased or specially produced goods that are in high demand at the moment.

What should be done? Should we increasingly become dependent on the petty private trade and retreat under his pressure? I believe that prices at markets should have limitations."

Fedor Markovich's opinion is not an isolated one. It is repeated by N. Kozlov from Cheboksary, F. Babenko from Lisichansk, P. Maslov from Kaluga and other readers.

Thus, a concrete and seemingly effective proposal is to establish a ceiling for prices of market products. What could be simpler--just adopt and forbid. And then? Quoting the words of our reader, S. Filippov, the former director of the market of the Lithuanian city of Pabrade, "the products then immediately disappeared from the shelves." "but then the possibility disappeared of profiting at the expense of others," I. Shcherbakov from Yaroslavl' said, entering the argument and then concluded: "In general, private trade at markets should be eliminated." A.N. Gorb from Zaporozh'ye is even more categorical: "The markets should be closed down everywhere." It would be most unreasonable to dispense with all the products which from time immemorial have been supplied by markets. This means that it is necessary to provide the freedom and scope for honest trade and to set up a barrier in the way of the wheeler-dealer.

What could this barrier be? I shall now describe Leningrad's experience.

There is the usual picture. A peasant grew many vegetables and greens on his plot. They need to be sold. But first they have to be brought to the city. What does he do? He picks up the heavy baskets and then to the highway. He waves and waves... And the greens begin wilting. He is picked and reaches his destination. He stands in a line for scales, special clothes. Then the produce has to be checked. The greens continue to wilt. Finally he is behind a counter. Some things he managed to sell. Evening is approaching. What should he do? There is no place in the storehouse, the hotel is full. The greens continue to wilt. What does one do with them? Go home? And so the middleman appears, that is to say, a speculator. He, as we know, has no problems.

Will the kolkhoz farmer want to go to the market tomorrow?

"We thought about this after studying the statistics of the past five years," Valentin Popov, the young and energetic director of Vasileostrovskiy Market, opens a folder. "Look, there are no fewer sellers in the market. And since demand significantly exceeds supply, it is not hard to imagine how free and easy the speculator feels and how prices come to be formed. And we set ourselves a task--to attract as many as possible owners of garden plots and orchards. No doubt when it comes to organization and details, we still do not have everything just right. But I can state with confidence and joy: you will not find the middleman speculator in the market."

First of all the market's management set up assistance points on the farms of the oblast. Their purpose is simple. Here, locally, they try not to lose sight of a single rural inhabitant. They personally explain rules of trade, give out invitations and describe in every detail the market and that which they can provide. On the basis of a contract, at a precisely agreed upon time, ordered

motor transport arrives at the village with packing materials. Reliably packed and looking commercially proper, cucumbers, potatoes, apples, carrots and beets are on counters in a few hours. (Latenesses, delays, breakdowns, affecting the prestige of the market, are absolutely eliminated.) In the mutual relations of Vasileostrovskiy and rural inhabitants, the chief attractive force is obligation. For the benefit of traders there are provided storage chambers, a hostel, dining room, a most varied supply of implements and special work clothes.

The market is concerned about the seller and is attentive in regard to him. For the time being, we are not optimistic with respect to prices, but there is a lot more order. Product assortment has expanded, the quality is higher. It is now quite realistic to plan the market's workweek. Through a radio broadcasting center buyers learn when and at what price products are expected.

Possibly the biggest blow to the speculator has been the emergence of sovkhos produce at Leningrad markets.

First a few words about the cost-accounting production agroindustrial association for fruit and vegetable products. Incidentally, the old name of Leto Firm is familiar to the ear. The firm unites 10 sovkhoses and operates profitably the whole year around; it has expanded production of vegetables and mushrooms fourfold. All products as a rule come directly from the field to 550 of Leningrad's stores; they also go to other cities and even abroad. In a word, Leto vegetables are good and tasty. And the price, please note, is on the order of kopecks.

At the same time, at the market, the casual "operator" imperturbably asks three times as much for the same tomatoes and cucumbers. Why? He knows that in one in a hundred cases, be it holiday, guests or visiting a hospital, we shall inevitably go to him. And in a limited and densely occupied space called the market, he, the "operator" is the master of the situation. There is no one next to him, alas, who can competitively offer first-rate seasonal produce. And so there is no one to undermine his price.

That is, there has been no one. Until last year. Last summer there appeared a striking advertisement on the gate to the entrance of the now familiar Vasileostrovskiy Market. Buyers were invited to visit the bright and convenient stalls of the Leto Firm. The products are placed with careful precision on a spacious counter, gladdening the eyes with their appearance and diversity.

"We send first the very best to the market," the firm's senior agronomist, L.L. Rymar', told me. "The vegetables are loaded under the strict surveillance of commodity specialists. If for any reason, the produce needs to be replaced--no questions are asked. You must agree that it serves no purpose to go to the market with withered onions or beat-up tomatoes. They simply will not be purchased."

This year another 19 sovkhoses have assumed a kind of patronage over markets. I shall not hide that at first economic planners were guarded. They have become used to the store that accepts "below standard" products without remonstrance. And here they just provide quality. Exactly and responsibly. But everything has been worked out. Furthermore, they have a much broader assortment than the private operators.

Leningraders like the new form of trade. I judge this on the basis of letters sent to the Leningrad City Organization for Trading in Fruits and Vegetables, according to the feelings of buyers and standards of sellers, which are based on results. In August, for example, 730 tons of vegetables were sold at nine firm bazaars (that is what they are called--firm bazaars).

And you might ask--has the speculator reacted? And how! When in March, Leto put out its first cucumbers, it knocked the price down from eight to five rubles per kilogram. A mass movement occurred with respect to the sale of vegetables. The consumer cooperatives started trading in berries and fruits, but the speculators did not. He obviously has gone, but where--readers will tell us.

#### Benefits of Market Patronage

Moscow KOMSOMOL'SKAYA PRAVDA in Russian 7 Aug 81 p 2

[Letter to editor, followed by reporter's comments from city market:  
"The Market: Trade or Profit?"]

[Text] Our family, like most city people, does not have a private plot. For every little thing, it is necessary to go to the market. But look at what's happening there.... Several stalks of parsley or dill cost 30-40 kopecks, a bunch of radishes (6-8 each)--60-70 kopecks, onions--50 kopecks. The point is that all this is not luxury nor delicacies. It has gone so far that a small glass of strawberries costs one ruble. And if a child asks, will you not buy it? These are really incredible prices!

One understands that if a person grows such greens and uses a certain amount of labor, yet how can a tumbler of strawberries or a bunch of onions cost so much. The answer is profit! Everyone is outraged, still... they buy it. But would it not be possible to regulate these prices?

Svetlova, Shevchuk and other residents  
Totskoye, Orenburgskaya Oblast

Our correspondent presents a report from the city market.

Market counters. Buyers go from counter to counter, trying to find products that are cheaper and more appetizing. But for those who are behind the counters--they want to sell their products for a higher price and as quickly as possible.

There are more and more of the former. And I, like the authors of the letter, think: why not establish price "ceilings" of radishes, onions, carrots, parsley, celery and other vegetables without which meat is not meat and soup is not soup? But gradually, as I begin to grasp the affairs and concerns of the market, I begin to understand that things are not that simple. They have tried to

hold back price increases at markets by means of an order; as a result, vegetables practically disappeared from counters.

But perhaps there is another, non-administrative way of reducing prices for greens? Yes, there is. At the Butyrskiy Market of the capital, I saw a number of pictures proving a simple principle: the more goods on the counter, the lower the price.

"There is only one way of reducing prices for us," I was told by Ivan Mikhaylovich Svetlenkin, the director of the Butyrskiy Market. "Inviting more people from the country, which we are doing. We take trips to villages, try to persuade, talk about the market, invite them to stay at our hotel.... Unfortunately, we are not greeted warmly: heads of farms do not want to release their people during the busy season--and that's the whole story."

Then perhaps it would make sense for the same sovkhoses to buy up products locally and then ship them to the trade net, to the market? So far this has not been done. And the question arises: what can be done so that the interests of the market and the interests of the farms coincide? After all, we all have the same objective--to supply city people with greens.

Right next to Butyrskiy Market there are to be found three state outlets, the idea of which is to sell vegetables and fruits and "forget" in every sense the private entrepreneur. But the stores are obviously not bursting with vegetables.

Parsley, like much else in general, one can say, is in disfavour. At any sovkhos, they will give you a thousand and one different reason why radishes, dill, celery do not reach the trade network in tide. Of all the "noes" we select the most obvious--there is no desire, no interest.

Recently our correspondent N. Yefremenko reported from Dnepropetrovsk: "At Store No 1 of the city's fruit and vegetable trade organization there hangs a sign: 'This store is supplied by Peremoga Sovkhoz. Sovkhoz director A.I. Vasilenko. Telephone: 27-80-45.'" The scheme of the system is "field-counter"; it is as simple and as clear as daylight: a sovkhos is assigned to each rayon of the city of Dnepropetrovsk. It resolves the problem of supplying stores with vegetables. There are also cities where the markets are supplied in exactly the same way. But they are few in number.

And if you were to think this through, then it would be possible within the framework of such sponsoring ties to reach agreements as well on purchases of greens from the population, and on their production on the fields of sovkhoses, and of timely harvesting and deliveries.

... Butyrskiy Market is booming. Mountains of vegetables! But the prices have a "bite" to them. I ask a woman about garlic. Thirty kopecks apiece. I don't yield and suddenly hear: "Son, you can buy them for twenty" -- the garlic bulbs are large, around 50 grams each.

"Why did you suddenly come down?" -- I bent toward the seller.

"They just brought in some garlic to the store!"

True enough, workers were pulling a cart with crates into the Dary Prirody. Good garlic. Cheap and potent.

#### Keeping Speculators Out

Moscow KOMSOMOL'SKAYA PRAVDA in Russian 23 Jan 82 p 2

[Article by V. Andriyanov, chief of "raid" operation on markets conducted by correspondents of KOMSOMOL'SKAYA PRAVDA sparked by readers' letters: "Operation 'Market'"]

[Text] The published items "The Market: Trade or Profit?" (7 August) and "Money That Is not Easy Is Honest Money" provoked an interesting response among readers. The editorial office has received hundreds of letters. Analysis of this mail attests to the topicality of the problems raised by the paper. Continuing the discussion, our readers demand that a more decisive struggle be conducted against speculation, resellers and that a solid barrier be put up in the way of seekers of easy profit and also that kolkhoz and cooperative trade and purchases from market vegetable growers and gardeners be set up.

The Leningrad Leto Firm ousted a speculator. He "evidently has moved on," the paper wrote, "but as to where--readers will tell us."

The letters give addresses. "In Ivanovo, speculation of potatoes is engaged in by those same familiar young people who only recently were trading in water-melons. And in the stores, lines form for potatoes." (V. Kulagin). We get potatoes shipped," L. Alifanov writes from Volgograd, "by Kolkhida with labels from Maykop, Ordzhonikidze and Groznyy. These people know the price of their products."

"Our socialist state must not permit shrewd dealers to enrich themselves at the expense of workers," writes N. Silant'yev from Chelyabinsk. "Our prices at the market have not risen above prescribed prices; sometimes they have even been lower."

Interesting proposals are offered by V. Skvortsov, a senior economist from Ulyanovsk:

"The best way of combating the rise of prices at the kolkhoz markets lies in increased production of agricultural products at sovkhozes and kolkhozes. And we must concentrate our attention on this. But control over prices is no less important. This process must be regulated. It is necessary to substantiate the costs of production of agricultural products on private subsidiary farms."

What does the experience of price regulation at markets provide? This question of KOMSOMOL'SKAYA PRAVDA's own correspondent from South Urals S. Kozheurov is answered by P.P. Chernokun, the chief of the Chelyabinskoye Oblast Administration of Kolkhoz Markets:

"Resolute limitations on market prices usually terminated with a drop in shipments. This practice was forbidden by an order of the USSR Ministry of Trade.

"Prices at markets in Chelyabinskaya Oblast in fact have essentially remained stable. Meat does not disappear off the counters. How did we achieve this? We conclude contracts with our future sellers and create normal trading conditions for them.

"Next to Chelyabinsk's Central Market, for example, the Kolos Hotel has been built. The market has a sufficiency of freezer and refrigeration chambers. Everyone is quickly provided with a work place, implements, special work clothes; sanitary supervision of the products is performed without delay.

"For 12 of the oblast's 24 markets there has been created a bureau of trade services. When a person lacks time, the desire or the ability (this also cannot be ignored) to trade for himself, he can turn over his products to the bureau. They are then sold and the owner is compensated monetarily. This is to everyone's advantage, yet this promising form of trade services is slow in being introduced. The bank will not release credit for this purpose, and the seller either cannot or does not wish to wait. This is where the speculator takes over, he gets the entire produce for even less than what we offer. At the same time, he pays off immediately. We have asked the Ministry of Trade, the Ministry of Finance and Gosbank USSR to solve this matter so that prices at the market could be more effectively regulated and supply for the population is improved."

The speculator's competitor is a store, state or cooperative, with full counters. But "...vegetable stores are trading only in wine, canned goods, pickles and sauerkraut which is not even pleasant to look at." (F.K. Kuprina, Taganrog). Many other letters could be added.

"My advice," R.N. Vol'f from Omsk Tselinnyy Sovkhoz, "is to arrange for receipt of surplus products from the population. I know from personal experience how much property disappears. There should be fixed hours and a definite place where vegetables, fruits and milk could be bought from the population and sold in cities and settlements."

This is precisely what our friends in Czechoslovakia and the GDR are doing. KOMSOMOL'SKAYA PRAVDA more than once has discussed these methods. How can they be adopted? Readers would like to receive answers from competent organizations.

The middleman, or more simply the reseller or speculator, is solidly based at markets. Scientists are already speaking of the danger presented to kolkhoz trade by the middleman. A reader asks a direct question: is the market really a kolkhoz market?

"From the middle of autumn to late spring, the same faces are to be seen in Vil'nius selling flowers brought in from the south," V.G. Slutsker writes. "They are known by name...."

to determine precisely the estimated losses in the first and second year. The losses of the first year will be equal to 4,000 rubles, and when the discount coefficient is applied--4,100 rubles ( $4.4:1.08$ ). The losses of the second year are estimated at 2,400 rubles, and when the discount coefficient is taken into account--2,100 rubles ( $2.4:1.08^2$ ). In this case the aggregate losses go to 6,200 rubles (without taking into account the discount factor they are higher--6,900 rubles).

These are, so to speak, the direct losses of society related to absence from participation in social production of people with cancer (in this case breast cancer). But it is also worth establishing the hidden losses or, more accurately, gains which society could count on if it could completely eradicate this disease. These benefits could result from participation of those people in social production who dropped out so tragically because of their disease. Obviously the length of this hypothetical participation of theirs has to be determined relative to pensionable age, i.e., for the group of women with breast cancer, up to age 55. According to our estimates, in our first category of persons disabled by cancer the patient died on the average 47 months before reaching pensionable age, i.e., at the age of 51.

Here we must take into account the total probability of women that age reaching the age of 55. For women of that age it is 0.977 (see [9]).<sup>7</sup>

We will also introduce an adjustment related to the influence of the time factor. The hypothetical losses taking into account the survival coefficient amount to 17,000 rubles over the entire period ( $47 \text{ months} \times 370 \text{ rubles} \times 0.977$ ), i.e., 4,300 rubles on an annual basis. Now we will estimate them for years, making adjustment with the discount factor:

first year-- $4.3/1.08 = 4,000$  rubles; second-- $4.3/1.08^2 = 3,700$  rubles;

third-- $4.3/1.08^3 = 3,400$ ; fourth (on an 11-month basis)-- $3.9/1.08^4 = 2,900$

rubles.

The hypothetical losses amount to 14,000 rubles over the entire 3 years and 11 months (47 months).

To estimate the hypothetical losses from morbidity we took as our point of departure the level of the monthly average final output of material goods and services per worker that actually occurred in the USSR national economy in the mid-seventies. This level is obviously rising as the productivity of social labor increases. This means that we have set the level of this hypothetical loss a bit low. On the other hand it is possible that the estimate might be set a bit high since the level of average labor productivity in the social production of material goods and services obtained in the mid-seventies was applied to those who were disabled by illness in previous years. At the same time we did not take into account those who died without being officially certified disabled by the disease. This also puts our estimate of the loss somewhat low. Aside from that, we also did not fully take into account that a sizable portion of disabled persons transferring to an old-age pension

continue to work, i.e., participate in social production of material goods and services. This also brings our estimate down. Yet taking into account that our estimate is knowingly hypothetical, we assume that the knowledge of those circumstances could revise the figure obtained only to an insignificant degree. We are more interested here in the order of magnitude of the figures. This indicates that society's direct outlays for pensions to cancer patients (specifically to patients with breast cancer) are considerably smaller than that indirect loss to society inflicted by premature death caused by this disease.

As for the two other remaining categories of persons in the survey, in their case we naturally determined only the direct losses related to their absence from participation in social production during the period of the illness.

Now we can calculate both the total losses and the losses of society caused by the spread of cancer. They consist of society's outlays to pensions to persons disabled by the disease (breast cancer), the direct losses related to the absence from participation in social production, and also the hypothetical losses resulting from the premature death of people of working age (they were, of course, determined only for the first category of subjects in the survey).

Table 3. Aggregate Costs to Society Resulting From the Spread of Cancer (breast cancer) for the Categories of Subjects in the Survey Defined (thousands of rubles per subject in the survey)

<u>Costs and Losses</u>	<u>Categories of Subjects</u>			
	<u>1st</u>	<u>2d</u>	<u>3d</u>	<u>For Entire Statistical Population*</u>
Relative share of each category in the total number of subjects, %	56.4	22.6	21.0	--
Support of patients during sick leave, payment of sick leave slips for 4.5 months	0.5	0.5	0.5	0.5
Expenditures for pensions of disabled persons (including the costs of their examinations by the VTEK)	1.1	1.7	1.5	1.3
Direct losses related to absence from participation in social production	6.2	6.8	7.0	6.5
Hypothetical losses related to premature death	14.0	--	--	7.9
Total costs and losses	21.8	9.0	9.0	16.2

\* Per subject in survey (on basis of percentages of each group--Line 1).

The total estimate obtained--16,200 rubles (Table 3)--is to a certain degree normative in nature. Since it is an average weighted quantity, it reflects a variety of conditions under which the patients became disabled, under which a certain portion of them participated in social production, and under which some of them later ceased to be patients based on cancer and became old-age pensioners. That accounts for the possibility of using this estimate for

approximate measurement of society's losses from the morbidity rate of cancer (per case of the illness). These calculations as a whole make it possible to evaluate as well shifts taking place in the composition of the group of cancer patients. A drop in the number of deaths attributed to this disease, an increase in the length of life of the patient, and a rise in the rate of complete cures--all of this--in spite of the increase of additional costs related to payment of disability pensions, is bringing about a substantial reduction of society's losses from the incidence of cancer. For instance, according to our calculations, a 10-percent reduction of patients in the first category and a corresponding increase in the percentages of the second and third categories causes on the one hand a certain increase in expenditures to pay pensions of 100 rubles (per patient) and direct losses of the production of material goods and services also by 100 rubles (this is related to the fact that more or less complete recovery from the disease at present requires lengthy periods of treatment), but on the other hand it causes a sizable reduction of the losses by 1,400 rubles. The total losses in this case drop from 16,400 to 15,000 rubles. Thus the additional outlays of society related to payment of disability pensions to cancer victims and also the somewhat larger direct losses resulting from their prolonged absence from participation in the production of material goods and services are repaid, if it can be put that way, by the considerably smaller losses which society incurs because of the premature death rate of that category of patients.

#### V

Now it remained to estimate society's gain from saving patients with breast cancer (third category of subjects) and from the extended life of those who previously were on the rolls in oncological institutions (the second category of subjects). It is simpler to make this estimate for those completely cured of this disease. The average age of those removed from the rolls was 45.2 years according to our estimates. This means that they would participate in the social production of material goods and services at least until age 55 if we take the general probability of surviving to that age, which is 0.954 (see [9]). The potential volume of their production of these use values is 41,700 rubles (108 months<sup>8</sup> x 0.954 x 370 rubles), which is 4,200 rubles on an average annual basis. We will introduce into the computations the discount factor. When it is taken into account, the potential volume of production of material goods and services is as follows:

in the first year-- $4.2/1.08 = 3.9$ ; in the second-- $4.2/1.08^2 = 3.6$ ; in the third-- $4.2/1.08^3 = 3.3$ ; in the fourth-- $4.2/1.08^4 = 3.1$ ; in the fifth-- $4.2/1.08^5 = 2.9$ ; in the sixth-- $4.2/1.08^6 = 2.6$ ; in the seventh-- $4.2/1.08^7 = 2.4$ ; in the eighth-- $4.2/1.08^8 = 2.3$ ; in the ninth-- $4.2/1.08^9 = 2.2$ ; in the 10th (10 months in this year)-- $3.5/1.08^{10} = 1.6$ .

This volume can be estimated at 27,900 rubles for the entire period of just under 10 years.

As for the second category of subjects, here in determining the economic benefit of the extended life of the patients resulting from treatment we obviously need a comparison with the average length of life of those who ultimately died from this disease, i.e., by comparison with the first category of subjects. In the second category the average age at which the pension was awarded was 49.8 years (on a per subject basis). The average length of life from the date the pension was awarded was approximately 3.3 years for Group I. The length of life taken into account for the second category of subjects was 8.5 years from the moment the disability pension was awarded. This means that on the average for this group in the typical situation the persons disabled by illness ultimately qualify for old-age pensions. What interests us in this case is how much the length of their life has increased during the period when they are of working age, i.e., up to age 55. It is 1.9 years, i.e., 21 months. To be sure, not all disabled persons put in this category participate in social production. They represent 42 percent of disabled persons in Group II and 58 percent of those in Group III. Consistent with the suppositions we made, then, it is not difficult to establish the level of employment of this category of subjects in social production. It is equal to approximately one-half. Thus the real increase in the length of participation of this category in social production is 10.5 months. The total resulting gain in money terms is 3,900 rubles per subject in this category, and if we apply the discount factor--3,600 (3.9:1.08).

The aggregate gain from curing patients of breast cancer and the extended life of those who were successfully cured is shown in Table 4.

Table 4. Aggregate Gain to Society From Treatment of Breast Cancer and Extended Life of Those Successfully Cured, in thousands of rubles

<u>Gains</u>	<u>Categories of Subjects</u>			
	<u>1st</u>	<u>2d</u>	<u>3d</u>	<u>For Entire Statistical Population*</u>
Relative share of each category in the total number of subjects, %	56.4	22.6	21.0	--
Society's gain from treatment:				
Without applying the discount factor	--	3.9	41.7	9.6
Applying the discount factor	--	3.6	27.9	6.7

\* Per subject in survey (on basis of percentages of each group--Line 1).

Thus success achieved in treating breast cancer has already brought a sufficiently real gain to society--of approximately 6,700 rubles (using the discount factor)--for the average case of the disease. According to our estimates, should there be a further possible 10-percent reduction of the fatality rate of this disease, that is, a reduction in the share of the first category, the gain (assuming that the second and third categories gain equally in their percentages of the total) could reach 8,200 rubles. This could also mean that every percentage point of reduction of the fatality rate of breast cancer would bring society an average gain of 2,900 rubles per case recorded.

As we know, a tendency toward reduction of the fatality rate of cancer has been noted recently. As already pointed out, this is causing an increase in society's additional expenditures and direct losses. But we should bear in mind, and that is what we have striven to show, that the direct costs and losses are far smaller than the gain which society realizes from reduction of future losses from the premature death of victims of this disease and from the lengthened life of those patients who fully recover. That is why efforts to reduce the fatality rate of cancer makes economic sense.

#### FOOTNOTES

1. At the present time a high degree of discovery of breast cancer has been achieved. In 1978 only three cases of death from this disease were recorded in Moscow when the victims had not been on the rolls in oncological dispensaries. In the 1979-1980 period no such cases were recorded at all.
2. The present reporting system does not give men and women separately among people newly certified as disabled because of cancer. In our view this is an oversight. The initial information affords the possibility of overcoming it. Data on the peculiarities of the disability process in men and women resulting from these diseases have definite importance to substantiation of directions for the development of anticancer service to the population in general and specifically to male and female groups.
3. Certain types of losses, probably even more serious than losing the possibility of obtaining a higher income, are not subject at all to monetary measurement. They include the sharp restriction of social activity, curtailment of interests and interpersonal contact, discomfort, constant nervous strain and anticipation of the tragic outcome. That is why our measurement of the losses resulting from cancer are hypothetical in nature to a certain degree. They pertain only to a certain portion--and indeed not the most important portion--of the changes in a man's life resulting from such a serious illness as cancer. Assessment of such changes is a field for joint research by medical men, psychologists and sociologists. "The fact of the existence of considerable emotional strain in cancer patients," write Ye. Bazhin et al., "is obvious.... It is evident," they add, "that the situation of facing cancer is a conflict situation.... The threat to the patient's life brings about a manifest increase in the level of his emotional strain and disrupts significant relations of the personality" [7, p 9]. Especially complicated problems are caused by vocational rehabilitation of cancer patients. "However well organized deoncological training of personnel in anticancer institutions," specialists of the Omsk Medical Institute point out, "the very word 'oncological' evokes in many patients a picture of serious illness in which the prognosis is often unfavorable. That is why the time spent in the oncological dispensary causes mental depression in them, a state of anxious anticipation" [8].
4. Under current legislation, old-age pensions are awarded as follows: 65 percent of income for those receiving 60-80 rubles of income per month, 55 percent for those receiving 80-100 rubles, and 50 percent for those receiving over 100 rubles.

5. We avoided taking into account their participation in the household, within which altogether real material benefits are produced (in private farming), and in which work is done to serve members of the family. The results of these efforts can be given a monetary valuation.
6. "Given the continuous nature of the production process and its constant growth," T. S. Khachaturov writes, "the costs and benefit of the present and future time are not equal (nor can they be equal)" [4, p 164].
7. Strictly speaking, we ought to use in the computations the adjusted magnitude of the survival factor without taking into account the influence of breast cancer on the death rate of women between the ages of 52 and 55. But this refinement will have a negligible influence on the dynamic behavior of the survival index of women of that age.
8. The difference between age 55 and age 45.2.

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## HOUSING AND PERSONAL SERVICES

### THEORETICAL ASPECTS OF STATE INSURANCE DISCUSSED

Moscow FINANSY SSSR in Russian No 3, Mar 82 pp 46-51

[Article by Ye. V. Kolomin, professor, doctor of economic sciences]

[Text] There is every justification for regarding development of state insurance in the USSR as a consistent realization of Lenin's ideas about organizing the insurance system and about using it to boost the country's economy and to strengthen the well-being of the workers. Those ideas were formulated above all in "The Imminent Catastrophe and How To Combat It," in decrees prepared on V. I. Lenin's initiative and with his direct participation concerning socialization of the land, the organization of state control of the insurance business and its subsequent nationalization, and finally, in the decree dated 6 October 1921 and entitled "On State Property Insurance" and the decree adopted by the government on 6 July 1922, which defined the lines of development of personal insurance and the organizational foundations of the system of state insurance.

The most important principles contained in the works of V. I. Lenin and the pieces of legislation we have mentioned include the following: unification of the insurance business at the level of the entire state, its economic and organizational independence; ensuring democracy in resolving issues and working out the terms of insurance by creating councils made up of representatives of the interested parties within Gosstrakh [USSR Main Administration for State Insurance] agencies; use of insurance to preserve and develop the productive forces; the need to insure every farm of a working peasant (trudovoye sel'skoye khozyaystvo) against every possible natural disaster; expansion of the number of policyholders, reduction of insurance premiums, i.e., reduction of the cost of insurance.

In 65 years an abundant experience has been built up that makes it possible to concretize the theoretical principles pertaining to the results and prospects for development of state insurance in the USSR. Some of them have already been examined in the writings of Soviet economists specializing in insurance. But a number of aspects which are important from the theoretical and practical standpoints have not been adequately treated in the literature. In our view there is good reason to turn once again to these questions for a more precise definition of the main lines of development and improvement of the science and practice of state insurance.

One of the most important questions is the economic and accordingly organizational status of state insurance. Present-day theory treats it as a component of socialist finance. This position, which on the whole is correct, needs elaboration, because its meaning could differ depending on how the makeup of the system of socialist finance is defined. If we take the broad view of the system of finance, which includes credit, then state insurance is a component of it. But as soon as a step is taken toward removing credit from the system of socialist finance (and this is a rather widespread view), then it is legitimate to take a second step and remove state insurance as well. There are just as many differences between budget financing and insurance as there are between financing with appropriations and credit financing. Insurance relations are more complicated in their economic basis than are credit relations, though under present-day conditions the latter's sphere of activity is broader.

V. P. D'yachenko, corresponding member of the USSR Academy of Sciences, spelled out the specific nature of state insurance in a straightforward way when he wrote: "The field of insurance is a field of special money relations occupying an intermediate place between financial and credit relations."\* Unfortunately, this thesis on the distinction between insurance relations and financial relations (above all budget financing) and credit relations was not given a broad and clear basis in that period. One important reason for that was the relatively weak development of insurance operations and scientific research in that field. Under present conditions the situation has changed essentially. That is why the question of the specific nature and independence of insurance is in need of comprehensive and thorough substantiation.

State insurance expresses money relations among all participants in creation of the risk fund, relations coming about on the basis of distribution of possible expenditures (losses) when certain events occur, which involves establishing their premiums as a function of the likelihood of the relevant perils and payment of compensation (amount of insurance) within strictly specified limits. State insurance differs essentially from the state budget and credit in the principles governing both the formation of the centralized money fund and also its use.

With respect to its formation, the state insurance fund differs from the budget in that the level of participation in its creation does not as a rule depend on the results of an enterprise's or organization's activity. The size of insurance premiums is determined by the value of property insured and the level of the rates, and not by the profit realized. The level of the rates is determined as a rule by objectively operative factors reflecting the susceptibility of a particular sector of the economy or property to various adverse events (perils). In agricultural enterprises expenditures for insurance, which externally figure as a distribution of income, essentially represent costs incurred in production of the respective product.

For all the external similarity of compulsory insurance premiums to taxes and other payments into the budget (their indisputability), there is an essential

\* D'yachenko, V. P., "Tovarno-denezhnyye otnosheniya i finansy pri sotsializme" [Commodity-Money Relations and Finance Under Socialism], Moscow, Nauka, 1974, p 442.

difference--the fact that these premiums are earmarked as to use. Payments into the state insurance fund also differ from the temporarily available assets of enterprises which are kept in credit institutions in that they become the property of the socialist state as represented by the respective insurance agencies.

There are fundamental differences in the character of use between the state insurance fund on the one hand and the budget and credit on the other. Budget financing, which is done in conformity to a plan that has been enacted, can be called unconditional. This by no means contradicts the fact that various changes occurring in the activity of enterprises are taken into account when the specific size of appropriations is determined. Insurance relations are different in nature. Gosstrakh's liability for the insured property commences only when damage results from the stated causes and when those losses exceed a certain level (for example, in crop insurance when the size of the harvest falls below the 5-year level). Finally, payments from the state insurance fund depend unfailingly on the insured's participation in creating it (no such conditions exist in budget financing). That is why reimbursement of loss from the state insurance fund is nothing other than a form of contingent financing.

The earmarked nature of the insurance fund presupposes that it is repayable, but the very principle of repayability has a different meaning than in credit relations. This is centralized redistribution of the resources of the fund to those who need them, rather than repayment to each individual policyholder of the amount he has paid into the fund. Moreover, this kind of repayability cannot be bound by any sort of precise periods of time. Whereas the principal distinguishing feature of credit is that each entity taking credit must repay it in a strictly specified amount and within a specified period of time.

Finally, we should note that in budget and credit financing the principal determining factor is enterprises' need for capital. Yet payments from the state insurance fund are governed by definite limits; they are not based on the need that arises for capital, but on the size of the actual loss and the level of insurance coverage.

Practice is ahead of theory in acknowledging the independence of the state insurance system. In practical activity the difference of the economic content of insurance relations is expressed in the organizational independence of the union-republic system of state insurance and of the distinction between "financial and insurance agencies" in all normative documents of the USSR Ministry of Finance.

The principles of organizing state insurance in the USSR were devised and have been refined in an inseparable relation to the tasks, property and personal insurance faced in the various stages of this development and to enhancement of the role of insurance as the economy of socialist society has developed.

We can identify the following fundamental principles governing the organization of the insurance field in the USSR: monopoly of the Soviet state in the conduct of all types of insurance; concentration of operations related to property and personal insurance within the country in the unified system of

state insurance; democratic centralism in the organization and conduct of insurance; the independence of insurance agencies in their business operations, combined with a close relationship with the entire finance and credit system; cost-accounting (khozraschet) foundations for the conduct of insurance operations; separation of state (domestic) and foreign (external) insurance from the organizational standpoint.

Some of these principles were defined back in the first years of state insurance, while others have been stated in the process of its development.\*

We should note that these principles have been constantly enriched by new content. This especially applies to democratic centralism in the organization and conduct of insurance, to the independence in business operation and to the methods of cost-accounting activity of insurance agencies. We always need to remember errors which have been made in order to avoid them in the future. For example, abolishing insurance agencies in the 1930-1933 period and transferring their functions related to property insurance to financial agencies and their functions for personal insurance to savings banks essentially held back the development of insurance. A specific decree had to be adopted by the Central Committee of the Communist Party on 8 March 1933 as the basis for re-establishing the independence of the structure of USSR Gosstrakh and for carrying out a real reorganization of the entire insurance system. The experience of full decentralization of the insurance business in the 1958-1967 period should also be seen as a failure. That situation was corrected in 1967.

One of the important conclusions we come to today on the basis of the experience of history is that insurance in the socialist context may cover risks representing personal property, cooperative and kolkhoz property and state property. The form of ownership is an exceedingly important factor, but not the only one that determines the sphere of insurance's use. An important role is also played by the cost-accounting method of conducting business and by the degree of dependence of the final results in economic activity on natural conditions and other adverse events.

Under present conditions state insurance figures as the principal source of reimbursement of loss from natural disasters for the property of cooperative organizations and also for the personal property of individuals. But we cannot but recall that this situation did not come about all at once; only in the thirties did state insurance come to replace cooperative insurance. In 1930 mutual cooperative insurance organizations were abolished except for consumer cooperatives. In 1938 state insurance was extended to the property of consumer cooperatives as well, and voluntary insurance of the property of public organizations was also introduced. But at the present time the largest public organizations--the trade unions--do not enjoy it.

The most complicated question that was resolved in theory and practice was insuring the property of state enterprises and organizations. In 1931 the

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\* They have been thoroughly discussed by L. A. Motylev in his book "Gosudarstvennoye strakhovaniye v SSSR i problemy yego razvitiya" [State Insurance in the USSR and Problems of Its Development], Moscow, Finansy, 1972, pp 97-100.

insuring of state enterprises under union, republic, oblast and kray jurisdiction, i.e., the bulk of state property, was discontinued. In 1938 compulsory insurance of the state housing stock was introduced along with voluntary insurance of the property of institutions maintained on the local budget and of the enterprises and organizations under their jurisdiction. This kind of insurance was in effect until 1956. Insurance of the property of state enterprises was reintroduced in 1979.

In accordance with the decree of the CPSU Central Committee and USSR Council of Ministers dated 1 June 1978 and entitled "On Improving the Procedure for Reimbursement of Losses of Sovkhozes and Other State Agricultural Enterprises From Natural Disasters and Other Adverse Conditions" introduced compulsory insurance of the property of state enterprises belonging to the system of the USSR Ministry of Agriculture. Its introduction was preceded by broad discussion for a number of years.

In the domain of theory the problem of insuring the property of state enterprises and organizations has had two interrelated aspects: The fundamental possibility of this kind of insurance in the context of full cost accounting and the sphere of advisable priority use of insurance in the state sector of the economy. This decree of the CPSU Central Committee and USSR Council of Ministers essentially furnished an answer to both questions. In future, it seems, the sphere of state property insurance could expand further.

In the context of socialist society the principal criterion used in evaluating the results of state insurance is its effectiveness in economic protection of enterprises, organizations and individuals against the possible consequences of natural disasters and other events. Theory and experience provide evidence that the true economic effectiveness of insurance is achieved when two most important conditions are met: when insurance covers all or most types of property and when liability extends to all natural disasters and other adverse events. This can be achieved in two ways: by introducing uniform and universal insurance or by a system of separate forms of insurance.

The result is achieved at a lower cost by the first method, and it better suits the interests of insurer and insured. That is why development of insurance mainly follows that direction. The most typical example is the present-day mandatory insurance of the property of agricultural enterprises. All crops are insured against loss and damage caused by any adverse natural and climatic factors unusual for a given locality and also from plant pests and diseases. Insurance of fixed and working capital is all-inclusive. The attempt to introduce limited insurance on only those types of property most exposed to natural and climatic influence has in certain periods been set up in opposition to the idea of the universality of compulsory insurance of the property of agricultural enterprises. To be specific, in the 1960-1967 period farm equipment and motorized transportation equipment were excluded from compulsory insurance. There was a discussion about whether insurance should be introduced on all or only a part of sovkhov property. The insurance of agricultural production is developing toward further universality of insurance liability. At the same time, it is advisable to gradually amend the principles governing reimbursement of losses, moving toward insuring the farm's

average income and taking into account the size of output and quality of the product.

The universality of liability also characterizes voluntary insurance of the property of consumer cooperatives and other cooperative and public organizations. At present all the basic property used in the activity of the relevant enterprises and organizations is insured under a single policy against a long list of perils. This kind of insurance has replaced three types of insurance which were in effect until 1956. At the present time property which does not belong to the relevant organization, i.e., property it has accepted for storage, processing, repair, and so on, and also animals and agricultural crops are insured under separate policies.

Voluntary insurance of household property of individuals is to some degree comprehensive (originally contractual relations were based on division of the property into several groups). But here there is an opportunity to consolidate the risks by covering with a single policy structures, household property, and--in rural localities--animals as well.

The question of the relationship between compulsory and voluntary insurance is an important one in theory and practice. The compulsory form of insurance, combined up until 1968 with the voluntary form, has always been basic in insuring the property of kolkhozes. At the present time insurance of the property of kolkhozes is entirely compulsory. We should emphasize that there have been no essential disagreements among Soviet economists concerning the advantages and prospects for compulsory insurance of the property of socialist agricultural enterprises. It encompasses all farms, it achieves high stability of the risk fund, and it makes it possible to expand the list of perils and the types of property insured.

The compulsory form makes it possible through the rate system or in some other form to extend certain benefits to farms most exposed to the influence of the elements and therefore experiencing economic hardships. For these reasons the insurance of farm crops against loss resulting from any catastrophic disasters, including drought, proved to be possible only on a compulsory basis. Voluntary insurance against crop loss (if we assume it to be possible) would require that rates be established for certain natural and climatic zones at which insurance would become practically inaccessible for kolkhozes because of the high cost. This kind of "voluntariness," not backed up economically, would force those farms which have the greatest need for insurance to give it up. Consequently, the mandatory form of insurance was imposed above all by the peculiarities of agricultural production.

In our view it is possible under certain conditions to use the voluntary form for insuring certain types of property of agricultural enterprises. For example, it would be wise to combine compulsory crop insurance on certain crops with the possibility of voluntary insurance of the entire harvest of all crops (at a higher level of coverage) on the farms of a particular natural and climatic zone. The right to choose the type of insurance should be extended to kolkhoz councils and to the relevant management entities of state enterprises.

In the economics literature other proposals have also been advanced concerning voluntary insurance of the property of agricultural enterprises.\*

As for other cooperative enterprises and public organizations (consumer cooperatives, housing construction cooperatives, and so on) which are not directly related to agriculture, state insurance is entirely voluntary. The insuring of housing construction cooperatives until they extinguish indebtedness to the bank on a loan which has been granted, which is provided for in the terms and conditions under which the credit is extended, is an exception. In this case it is the contract which makes insurance compulsory (by contrast with insurance that is compulsory by law).

The voluntary form is gradually becoming predominant in insuring the property of individuals. It is obvious that this tendency will become stronger. Compulsory insurance is advisable only where insurance has not only personal, but also social importance. For example, insuring structures and the most important types of animals. This criterion is also fully applicable to insuring the civil liability of owners of private motor vehicles.

It has been proven in theory and practice that the peculiarities of public and personal ownership are reflected in the conditions of property insurance. Moreover, differences in insuring the property of kolkhozes and individuals are brought about by both economic and sociopolitical factors. In the period when the socialist sector in agriculture was coming into being and gaining strength, all the elements of insurance relations with kolkhozes were preferential and even beneficial in nature. When dealing with them Gosstrakh accorded them broader liability, higher coverage and relatively lower rates. As the kolkhozes became stronger and changes occurred in the sphere of personal property of the workers, certain differences in the terms and conditions of insurance lost their significance. It was no longer indispensable to preserve the beneficial rates (below cost) in insuring the property of kolkhozes.

Under present conditions, whenever greater attention is being paid to the questions of economic efficiency, it is quite natural that the peculiarities of the conduct of public and personal business should be taken into account in the terms and conditions of insurance. On the whole the preferential approach has been preserved concerning kolkhozes and sovkhozes, though it is now expressed in a different form (the rate structure and rate level, the absence of the concept of the insured's fault, and so on). There are also differences in the terms and conditions of insurance. For example, liability is now broader in insuring the animals of individuals. It is obvious that such differences are also possible with respect to certain other types of property.

Personal insurance was originally looked upon as a supplement to social insurance. To be specific, this is indicated by the discussion in 1930 of the need for personal insurance under socialism, as well as by the practical steps taken in that period. In the 1929-1942 period collective life insurance

\* Kulikov, V. S., "Voprosy teorii i praktiki gosudarstvennogo strakhovaniya v SSSR" [Aspects of the Theory and Practice of State Insurance in the USSR], Moscow, 1975, pp 41-42.

(against death and disability) was predominant. The experience of administering it is extremely instructive. Two basic conclusions follow from it: That method of administering personal insurance is progressive and corresponds to the character of our socialist society, and it therefore can be used in the future as well; insurance must be put on a strict scientific foundation, since it is subjectivism that did in collective insurance. All of this needs to be taken into account in devising and improving other types of insurance, in particular compulsory insurance of civil liability and new types of property insurance. The working out of the rates for crop insurance on kolkhozes, which was introduced in 1968, was an example of a truly scientific approach.

Postwar experience has shown that those forms of personal insurance have been developing most intensively which differ fundamentally from social insurance: composite life insurance, child insurance and marriage insurance. At the same time we should also emphasize the essentially important distinctions among these types of insurance: Whereas composite insurance policies are mainly concluded for 5 years, the average life of the latter two is usually at least twice as long. Increasing the life of composite life insurance policies is very important and corresponds to the interests of both the workers and also the state. Certain economic and organizational prerequisites are indispensable here, including differentiation of the percentages credited to the contribution fund, changes in remuneration of insurance agents, and so on. The prospects for development of personal insurance are to be seen in the introduction of new forms and in the improvement of existing ones so as to take into account the interests of the public.

Insurance in the USSR has always been inseparably bound up with activity to prevent the loss and damage of property, which is an important part of measures aimed at reducing the adverse effect of the elements. This interrelationship is manifested in both economic and organizational terms in the form of the participation of the firefighting, agrotechnical and veterinary services in the work of Gosstrakh agencies.

It is very important to combine reimbursement of loss with commitment of a portion of the resources to financing measures to prevent the loss of property or to reduce losses from natural events. In order to take into account the need to guarantee stability of the inflow of funds for preventive measures, contributions from profit for these purposes were replaced (in 1931) by stable deductions from premiums, which do not depend on the size of annual indemnities paid out. Originally deductions were made only from premiums under compulsory insurance and were assigned to measures to prevent fires, illness and loss of livestock. Since 1960 the deductions have also been made from payments under voluntary property insurance; a portion of these funds is intended to cover expenditures in prevention of crop loss (damage). When compulsory insurance of civil liability of motor vehicle owners is introduced, it will be legitimate to use a certain portion of the funds for measures to guarantee traffic safety. The performance of preventive measures is steadily reducing the extent to which insurance is administered below cost. As insurance operations have grown, it is natural for the size of the deductions to undergo a gradual relative decrease, which also means a reduction of their share in rates.

Over the last 6 decades in the USSR abundant experience has been gained in the use of various types of insurance in the interest of the socioeconomic policy of our state, ensuring the steady growth of socialist agricultural production, raising the material well-being of the workers, and forming the financial resources to be committed to the general purposes of the state.

Nevertheless, Soviet economic science and practice have always carefully studied and used the experience of the fraternal socialist countries. Exchange of experience in the insurance field has already become an established part of our everyday activity. This is indicated by the annual conferences of directors and specialists of insurance organizations of the socialist countries, meetings of experts, and regular exchange of information on all matters of common interest.

An appeal to take advantage of everything that is valuable in the experience of the socialist countries resounded once again at the 26th CPSU Congress. Comrade L. I. Brezhnev, general secretary of the CPSU Central Committee, noted in the report address to the congress that in the years of socialist construction the fraternal countries have gained varied constructive experience in the organization of production and management and in solving national economic problems, saying: "Let us, comrades, attentively study and make more extensive use of the experience of the fraternal countries."\* This also applies to the system of state insurance.

The specific historic, economic, national and other peculiarities of each socialist country are reflected in the forms of insurance and in the combination of the different types and terms and conditions of property and social insurance. This diversity of constructive experience, which is conditioned by objective factors, not only does not preclude the possibility of its use, but in fact makes it an urgent need. The USSR and the fraternal countries are already using a great deal from the achievements of one another, mindful at the same time of the peculiarities of every country.

The experience of administering state insurance in the socialist countries, which has been confirming our historic experience and supplementing and enriching it, is making it possible to formulate a single theory of socialist insurance.

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\* "Materialy XXVI s"yezda KPSS" [Proceedings of the 26th CPSU Congress], Moscow, Politizdat, 1981, p 7.

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## CONSUMPTION TRENDS AND POLICIES

### CHANGES IN FINANCING OF PUBLIC CONSUMPTION FUNDS PROPOSED

Moscow FINANSY SSSR in Russian No 3, Mar 82 pp 25-31

[Article by Yu. V. Peshekhonov, head of the sector of public consumption funds of the Scientific Research Institute of Finance, candidate of economic sciences:  
"Problems of Improvement in the Financing of Public Consumption Funds"]

[Text] In accordance with the "Basic Directions for the Economic and Social Development of the USSR for 1981-1985 and for the Period Until 1990" adopted by the 26th CPSU Congress the systematic implementation of the party policy for a steady rise in the people's material and cultural standard of living is continuing.

The Communist Party considers the following the specific directions in this general policy: fuller satisfaction of the population's needs for food products and consumer goods; improvement in housing and cultural-general conditions; profound transformations in the most important sphere of people's vital activity--labor; effective demographic policy; improvement in the maintenance of disabled individuals; systematic implementation of measures to strengthen the health, to prolong the life and to increase the labor activity of people; expansion of opportunities for a harmonious spiritual life and access of the entire population to cultural values; further rise in the level of education, culture and moral education and development of a communist attitude toward labor and the public sector.

The improvement in distribution relations and the establishment of an efficient distribution system capable of ensuring a rise in the people's well-being and of stimulating the development of the socialist economy play a fundamental role in the accomplishment of these tasks. The role of the distribution policy, its increasing influence on the efficiency of public production and the need for a direct and close connection between well-being and labor were discussed in the decisions of the 26th CPSU Congress.

Under present conditions, L. I. Brezhnev stressed in the accountability report to the congress, the sphere of distribution was and remains the object of the party's special attention.

The growing effect of social factors on the rates and efficiency of development of the socialist economy now becomes one of the characteristics of the national economy. This means that the improvement in the distribution policy also requires the selection of methods and forms of distribution actively contributing to economic

growth. In this connection, along with the directive for intensification of the dependence of the amounts of wages on the end results of labor, labor productivity and the quality of output, the decisions of the 26th congress especially stress the need to increase the role of payments and benefits for the population from public consumption funds in the solution of production and social-demographic problems.

The methods and forms of provision of public consumption funds with material and financial resources are very important for the success of this matter.

The determination of the scale of development of the form of socialist distribution, its nature, limits of application and effect on the redistribution of income in the national economy, amount of formed centralized funds for social development and prospects for the use of centralized and noncentralized sources—all these problems, as public consumption funds grow, become more and more urgent. It becomes necessary to select the most expedient structure of financing of public funds. In other words, an increase in the scale of development of these funds requires an efficient system of their distribution, which in turn intensifies the scientific and practical need to thoroughly investigate their financial mechanism.

In order to ensure the availability of the most important social and cultural services for the population and to organize and control the maintenance of disabled individuals under the conditions of socialism, it is necessary to have special funds for specific purposes in the structure of state resources (general state capital and the internal capital of state and cooperative enterprises and organizations).

In most cases the use of specific channels of financing of public consumption funds depends on the nature of the need met. In connection with this it is possible to single out:

Needs whose satisfaction acquires great social importance and is guaranteed constitutionally. They include general secondary, secondary specialized and higher education, first medical aid, prevention and sanitation measures, maintenance of disabled members of society and some others. General state budget capital can be the exclusive source here;

needs of great public importance, the level of satisfaction of which is standardized by means of general state capital. They include public forms of education of the growing generation and some other services of a social and cultural nature. It is possible to meet these needs in excess of the standard level by means of other sources, including the capital of the population itself;

needs connected with rest and health protection and some needs of a housing-municipal and domestic nature met with noncentralized special funds from the capital of enterprises and organizations. Usually, members of a production collective have the right to this part of public funds, although often not only the public needs of the workers of a given enterprise or organization are met with the capital of enterprises.

The structure of public consumption funds, that is, the extent of quota participation of the capital of various sources in expenditures, serves as the characteristic feature of their financing. Changes in this structure are shown in the table.

Payments and Benefits	1966	1970	1975	1980
Total	100.0	100.0	100.0	100.0
including from:				
state budget	70.6	67.4	66.1	65.2
centralized all-Union funds for social security and social insurance of kol-khoz members	3.0	3.5	4.7	4.6
budget of trade unions	1.3	1.3	1.3	1.4
funds of enterprises and organizations	18.2	20.7	20.2	20.1
capital of kolkhozes	1.8	1.8	1.9	1.7
capital of public organizations	0.2	0.4	0.3	0.3
depreciation*	4.9	4.9	5.5	6.7

\*According to the method of the USSR Central Statistical Administration depreciation is singled out as an independent source of public consumption funds. From our point of view, the inclusion of the wear of fixed nonproductive capital in the total amount of payments and benefits is hardly justified, because in this case public consumption funds are not connected with the products produced in the national economy.

During the 9th and 10th Five-Year Plans the correlation of centralized and noncentralized sources of financing of public consumption funds remained unchanged. However, a detailed grouping of the capital of the budget and of the internal capital of enterprises and organizations indicates serious changes in the structure of these groups.

In the practice of financing of public consumption funds the capital of the state budget is used either in the form of direct allocations for the maintenance of education, public health and physical culture institutions servicing the population free of charge, or various subsidies (to the state social insurance budget, centralized Union social security fund for kolkhoz members and housing services of local soviets). A change in the correlation among these forms of financing of public consumption funds is connected with the country's social development and its financial security.

The last few decades have been characterized by a decrease in the share of direct allocations and an increase in subsidies. This is primarily the result of the more rapid rise in the expenditures on pensions and allowances closely connected with wages. In 1966-1980 the expenditures from public consumption funds on pensions, allowances, scholarships and regular leave payments to workers, employees and kolkhoz members increased 3.1-fold, whereas the total amount of payments and benefits, 2.8-fold. At the same time, the expenditures on the maintenance of institutions servicing the population free of charge and on benefits in payment for available state housing increased 2.5-fold, which lowered their share in the total amount of public consumption funds. The decrease in the share of direct allocations is due to specific circumstances; in particular, to the slowdown in the growth and often decrease in the absolute number of the serviced individuals. For example, from 1965 to 1970 alone the number of students in secondary general educational schools decreased from 48.3 million to 44.4 million.

Nevertheless, budget allocations for the maintenance of institutions providing services free of charge remain the most typical and widespread form of financing of public consumption funds. Therefore, they attract special attention.

The capital of the budget within the framework of public consumption funds compensates for all the operating costs of institutions providing services free of charge, because the latter do not have their own income from the sale of material consumer goods and services.<sup>1</sup> The budget form of financing corresponds to the principle of free services to the greatest extent, although under certain conditions it can be insufficiently effective. It fully justifies itself when there is a need to involve the population in as many types of free services as possible. When this problem is solved and the problem of improvement in their quality is on the agenda, the weaknesses in the estimated form of financing begin to reveal themselves. In our opinion, the practice of financing when the size of the service personnel, their occupational level, length of service, load in hours and so forth are taken as the guideline for expenditures is the greatest weakness. With this approach financial expenditures are not sufficiently connected with the results of activity of an enterprise or institution, which often lowers its efficiency. The amount of expenditures, in particular wages, is not made directly dependent on the quality of the services rendered. In the system of free services for the public with the estimated form of compensation for operating costs the mechanism of economic incentives for labor in connection with the provision of services is almost inactive.

In general, the question of the need for this mechanism in the sphere of free services is debatable. Some economists believe that, once man is the object of services in most cases, there can be no question of material incentives for the efficiency of such labor. In their opinion, any saving of material and financial expenditures, as well as "labor productivity" growth in this sphere, can only lower the quality of services. They believe that a prompt increase in state expenditures should become the only way out of the situation that has been created.

There is also another point of view. The mechanism of economic incentives for the efficiency of resources utilized in this sphere of the national economy should operate in the system of budget (estimated) financing. In the estimated financing of free services it is impossible to automatically recover internal expenditures and to put them down to the cost of the services rendered. An increase in wages and expenditures on material resources, which under the conditions of the cost accounting form of financing are automatically transferred to production costs and are recovered through prices, is impossible here.

In our opinion, economic incentives for the efficiency of utilization of resources in sectors financed from the budget are fully justified and, moreover, urgently necessary. There is no reason to exclude this sphere of utilization of resources when the problem of increase in the efficiency of public production is solved.

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1. In some cases, for example, in rendering stomatological aid, institutions financed from the budget provide a number of services for the population for a charge.

As is well known, the attempt to create a mechanism of economic incentives in the system of budget financing was made in the course of the experiment on an extension of the rights of managers of public health institutions in the use of labor, material and financial resources and the application of economic incentive principles in the work of these institutions. This resulted in a rise in the quality and standard of therapeutic and preventive assistance to the population, in the efficiency of utilization of the beds available in hospitals, in the labor discipline of workers and in their interest in an expedient and economical expenditure of financial and material resources. The general conclusion of the participants was... to involve a wider range of institutions of the public health system in the experiment.

However, many methodological and organizational problems arose in the course of the experiment. Here are at least two of them. It is necessary, first, to develop a system of indicators for an objective evaluation of the effect of the mechanism of economic incentives on the quality of free services for the population and, second, to substantiate the source and procedure of formation of the material incentive fund.

Probably, the length of hospitalization, frequency of treatment, reliability of diagnosis and so forth, which characterize the quality of medical services, can be the evaluation indicators in public health and progress, entry into the next stages of education, dropout and so forth, in education.

The problem of the sources and procedure of formation of the material incentive fund is much more complex. From our point of view, two solutions are possible. The saving (difference between the final amount of income and expenditure of a budget institution) from a more efficient utilization of resources can become the source. The participants in the above-mentioned experiment used this source. According to its conditions, the economic incentive fund of institution workers was formed from 75 percent of the amount of excess of income over expenditure according to the estimates of institutions.

It is possible to choose another path--to envisage in the structure of the general wage fund two parts: to distribute the bigger part in accordance with the existing principles and the smaller part depending on the efficiency of labor in connection with the rendering of free services. There is hardly a reason to give preference to any of these approaches in advance. There is no sufficiently full and reliable information, or accumulated experience, for final conclusions.

Apparently, it is advisable to test both variants and then to make the final selection. However, one thing is clear right now: There is a need for a substantiated system of control over the formation and utilization of the economic incentive fund in budget organizations. The efforts directed toward an increase in the efficiency of utilization of resources in the sphere of free services for the public and toward an improvement in the quality of services must not become a quest for incentives at any price in detriment to the fulfillment of the main function of this sphere.

The biggest part of direct allocations, compensating for expenditures in free or preferential service sectors, is assigned primarily by the local economy. The scale of direct allocations from the budget and their connection with the system of local budgets are fully justified. However, there are also unsolved problems here.

The lack of a balanced connection between the formation of expenditures on education, public health and culture and the revenue base of local budgets is the most complicated problem. Factors determining the growth of revenues and expenditures are not interconnected. Whereas the revenues of local budgets are determined by the size and efficiency of the local economy, the expenditures on public health, education and culture largely depend on demographic factors--the size of the population, its age structure and so forth. At the same time, the size of the local economy depends on the sectorial structure of production and output. The departmental structure of an economy located in a specific region plays an important role.

Of course, along with the assigned revenues of local budgets (mainly from local economy) there are also control revenues received from superior units of the budget system. Nevertheless, practice shows that the intensity and stability of formation of the revenues of the local budget from an economy subordinate to it have an incomparably stronger effect on the efficiency of free services for the public in a specific region.

Suggestions for the strengthening of the revenue base of local budgets were made in the economic literature. Among them it is first of all necessary to single out the suggestions for the mobilization of the capital of enterprises spent in one way or another on the construction and functioning of the social infrastructure in the appropriate region for the budgets of local soviets. The suggestion to introduce a local property tax from the profit of enterprises irrespective of their departmental subordination also deserves attention.

Subsidies are also a form of utilization of budget capital in the financing of public consumption funds. All the types of subsidies are unified by their compensation for the difference between internal income and the total amount of expenditures. Subsidies often are granted for specific measures; for example, individual types of services for the public. They are conventionally divided into specific and passive. The amount of the former designed for the financing of specific measures can be established in advance. It is difficult to envisage the amount of the latter--for compensation for the difference between operating costs and internal income--because they depend on the results of financial activity. In both cases subsidies from the budget are due to a certain policy of stabilization of prices and rates of services, primarily to the need to ensure the accessibility of consumption by the population of a number of important material benefits (housing) and social and cultural services.

Subsidies are used for various purposes when public consumption funds are utilized. Therefore, their prospects should be evaluated with due regard for the specific nature of a concrete application.

It is well known that the pension level was raised considerably in 1956 and, as a consequence, the number of pensioners increased. This led to a sharp growth of expenditures exceeding the revenues of the state social insurance budget. It was necessary to compensate for the deficient part of revenues with subsidies from the state budget.

The existing two-channel method of formation of the revenues of the state social insurance budget is not flawless. First, the increase in its dependence complicates the implementation of a number of urgent measures for improvement in social

security, which is reflected in the well-being of the disabled members of society. Second, the existing rates of contributions for state social insurance do not fully fulfill their functions. Their level does not make it possible to mobilize the capital of enterprises and economic bodies in an amount covering the expenditures of the state social insurance budget. As a result, with the increase in the need for social security payments the role of subsidies from the state budget is intensified. As an analysis shows, the level of insurance payments now does not fully correspond to modern working conditions and at times does not sufficiently take into consideration the heaviness and harmfulness of labor. Often the level of insurance payments is the consequence of the preferential conditions given to a number of enterprises.

Mechanization and automation and the rise in the standard of production in key industrial sectors change the nature and conditions of labor. However, progressive measures are not yet implemented with sufficient energy in some of them--the timber, paper and woodworking industry and the construction materials industry. Low rates are in effect in these sectors. In the timber, paper and woodworking industry the level of the insurance rate is 4.7 percent and in the construction materials industry and construction, 6.1 percent.

The decree No 695 of the CPSU Central Committee and the USSR Council of Ministers points to the need "to raise during the 11th Five-Year Plan the existing rates of contributions for state social insurance with a view to ensuring a fuller compensation for the expenditures on the reproduction of labor resources, a correct determination of the economic effect from the introduction of new equipment and an intensification of incentives for a rational utilization of manpower." Fulfilling this directive, on 23 January 1980 the USSR Council of Ministers adopted the decree "On the Rates of Contributions for State Social Insurance in Trade Unions," which greatly raises the level of insurance payments in most industrial sectors.

Of course, the rate revision does not imply rejection of the use of the capital of the state budget. First, an annual correction of insurance rates caused by changing working conditions is hardly realistic. Experience convinces us that this operation is most advisable in the course of wholesale price revision. During the intervals between rate correction there may be a need for an occasional enlistment of the capital of the state budget for the replenishment of the deficient revenues of the social insurance budget. Second, the need for subsidy can arise in extreme circumstances (for example, for one-time big expenditures on measures for changing the level of various types of social security).

Improvement in insurance rates should envisage a closer connection between pension security and wages, a more flexible calculation of the length of service and a rational correlation of the minimum and maximum amount of pension.

Social security for kolkhoz members gives rise to specific problems of improvement in the financing of public consumption funds. The centralized Union social security fund for kolkhoz members formed from the deductions from the gross income of kolkhozes and the budget capital now serves as the source of its financing. For a number of reasons the share of the latter in this fund is growing. The centralized Union social insurance fund for kolkhoz members was formed in April 1970. Allowances for temporary disability, childbirth and burial are paid from it.

In our opinion, the existing system of financing of social security and social insurance for kolkhoz members is imperfect. The diverse conditions of formation of the same types of centralized Union funds complicate the mobilization of financial resources for social insurance for kolkhoz members and the complex and cumbersome calculations give rise to organizational malfunctions in the localities, to an increase in the amount of subsidy for one fund with free resources in another and so forth.

The establishment of a single centralized Union social insurance fund for kolkhoz members will make it possible:

To establish a general principle of financing of the same types of social payments: allowances for temporary disability, pregnancy, childbirth and so forth;

to unify its financial mechanism and the mechanism of social insurance for workers and employees, thereby contributing to an approximation of the levels of social payments to kolkhoz members, workers and employees;

to create conditions for a more efficient formation and a more rational utilization of the resources of social insurance for kolkhoz members (this will be served by the establishment of rates of contributions to a single fund on the basis of the level of expenditures on social insurance purposes alone). Determining the level of deductions into the single centralized fund, it is advisable to take the volume of expenditures corresponding to the nature of social insurance as the basis.

As a result of the wage growth felt during the last decades, the population's income increased considerably. Therefore, along with the envisaged measures for an improvement in pension security, apparently, it is possible to more widely enlist the population's capital for the introduction of voluntary insurance increments of pension payments guaranteed by law.

In addition to budget allocations, public consumption funds are financed from non-centralized sources, that is, the internal capital of state, cooperative and public enterprises and organizations (including kolkhozes). The structure of these sources is quite stable. Cost accounting enterprises and organizations account for the overwhelming part of their capital. With this capital skilled personnel are trained (quota participation in the compensation for the expenditures of vocational and technical schools, payment of scholarships, school leave pay and so forth), educational institutions are maintained at enterprises and organizations, preferential passes are given to workers, children's stay in preschool institutions is paid for, dwelling houses are built and the operating costs of housing facilities not secured by the low rent are covered.<sup>1</sup> However, the capital of state enterprises and organizations is used primarily to pay for regular leaves. In 1979 56.3 percent of the

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1. The following are used as specific sources of financing of the noncentralized part of public consumption funds: the fund for social and cultural measures and housing construction, the enterprise fund, the fund for consumer goods from waste, the fund for the development of local industry, the fund for social security and material assistance for kolkhoz members and the fund for the strengthening and expansion of the kolkhoz economy.

total amount spent by enterprises and organizations within the framework of public consumption funds was assigned for this purpose. However, the main function of this capital is to serve as the material and financial basis for the fulfillment of the plans for the social development of individual production units of the national economy.

The management of economic and social processes is complicated during the period of developed socialism. Along with measures implemented in a centralized way, the influence of individual units of the national economy on the processes of social development has acquired ever greater importance in the last few years. At the same time, the social development of the production collective, that is, training and disposition of personnel, improvement in the working and living conditions of workers and so forth, is in the sphere of their influence. These problems are solved by means of overall plans for the social development of an organization, enterprise and association. Such plans, in addition to production sections, have sections on improvement in the working, living and rest conditions of members of a collective and on the education of the new man. Internal noncentralized sources account for the growing part of material and financial resources ensuring the implementation of overall plans.

Thus, whereas the general state capital spent within the framework of general consumption funds is designed to be the material basis for a guarantee of the constitutional rights of citizens, the internal capital of enterprises and organizations is the material basis for a planned control of the social development of production collectives.

In our opinion, it is necessary to preserve the financing of public consumption funds with the capital of state and cooperative enterprises and organizations and not only because it is extremely complicated and expensive to redistribute the regular leave pay fund through the budget system. Basically, the point is that many social and cultural needs are met much more efficiently at the place of residence and work. Decentralization of the financing of public consumption funds makes it possible to more expediently, with due regard for the specific nature of local production and cultural-general conditions, organize the acquisition and improvement of skills and workers' and children's rest and to implement some preventive measures for health protection. As experience shows, the utilization of decentralized sources for economic assistance to the population in the solution of the housing problem can also be quite effective.

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## PERSONAL INCOME AND SAVINGS

### LEAD ARTICLE REVIEWS CONSUMER WELFARE PROGRAMS

Moscow FINANSY SSSR in Russian No 3, Mar 82 pp 3-5

[Editorial: "For the Well-Being of the People"]

[Text] The 26th congress of the Leninist party clearly outlined the road of our communist construction. "The point of departure of the party and political approach to the economy," Comrade L. I. Brezhnev emphasized in the report address of the CPSU Central Committee, "has been and is now the invariable programmatic requirement--everything on behalf of man, everything for man's well-being." The principal task of the 5-year plan is to achieve a further growth of the prosperity of the Soviet people on the basis of stable and gradual economic development, a stepping up of scientific-technical progress and conversion of the economy to the intensive strategy, more optimal use of the country's productive potential, and full-fledged conservation of all types of resources and improved quality of work.

A comprehensive scientific analysis of the state and real prospects of the socialist economy has made it possible for the party to pose the task in the new 5-year period of a major change of direction for our entire economy toward solving the problems of increasing the prosperity of the people. The 5-year plan envisages high growth rates for the consumption fund in the national income--the source of satisfying the material and nonmaterial needs of the public. The plans call for increasing the share of the consumption fund to 77.3 percent in 1985 as compared to 75.3 percent in 1980.

The leading role in raising the material and cultural level of the workers is to be given to remuneration as the principal direction for increasing the well-being of the Soviet people. Plans call for raising the minimum wage to 80 rubles per month; the average monthly wage is to rise 14.5 percent, and the income of kolkhoz members from socialized farming is to increase 20 percent. Even in the first quarter of 1982 the average monthly wage of workers and employees rose 2.4 percent over the same period of the previous year. The first increase in salary schedules during this 5-year period is now being carried out: the funds to pay wages to workers in the coal industry have been augmented by 800 million rubles per year. More than 1.4 million persons will be getting an increase.

Social consumption funds, which in 1985 will amount to 144 billion rubles, which is 23 percent more than in 1980, are being given an important place in carrying out the social welfare program outlined by the 26th congress for the 5-year period. Their role in solving the basic problems of future social progress in the USSR is being substantially enhanced: strengthening social equality and the homogeneity of Soviet society on the basis of consistent elimination of differences between mental and physical labor, between city and country, and also the shaping of a comprehensively and harmoniously developed individual, the education of the new man.

Carrying out the program for social development and for increasing the prosperity of the people in the 1981-1985 period will make it possible to guarantee a 16.5-percent growth of real per capita income. Plans call for allocating more than 16 billion rubles for centralized measures to increase wages and to increase payments and benefits paid to the public from social consumption funds. Over the last three 5-year periods real per capita income has doubled. But the rise in people's standard of living does not come down merely to a growth of money income.

The problems of comprehensively satisfying the larger effective demand of the public are now moving into the foreground: first of all the problem of improving the food supply and also the supply of industrially produced consumer goods.

In this context the decisions of the 26th CPSU Congress and speeches of Comrade L. I. Brezhnev have acknowledged the need to work out a food program as an integral part of the plan for the country's economic development. Higher growth rates have been envisaged for the output of branches in Group B as compared to the output of branches in Group A. The output of durable consumer goods and housewares is to increase by at least 1.4-fold along with a substantial rise in quality and constant renewal and improvement of the assortment. The party will continue in future to conduct a policy aimed at achieving stability of state retail prices of the principal foodstuffs and industrial goods.

The rise in the prosperity of the workers is generating constantly rising requirements for increasing the volume of consumer services and especially for improving their quality. The 11th Five-Year Plan accordingly calls for increasing the volume of sales of consumer services by approximately 44 percent and for improving the quality of orders filled and the level of customer treatment. Trade and the food service industry will experience further developments.

It is a most important social problem to improve the housing conditions of workers in cities and rural areas. At the present time the value of the fixed capital of the housing sector is 339 billion rubles, or nearly one-fifth of the value of all the country's fixed capital. In the 5 years plans call for opening to occupancy residential buildings with a total floor space of 530 million square meters, which will make it possible to improve the housing conditions of more than 50 million persons and at the same time to improve the comfort level of housing.

The bases of housing legislation of the USSR and of the union republics, adopted by the fifth session of the USSR Supreme Soviet, are a new manifestation of the party's concern about solving the housing problem. Soviet housing legislation is being called upon to act so that the workers can exercise their right to housing, so that dwelling units are allocated fairly, and so that the housing stock is used efficiently and preserved.

The Communist Party and Soviet Government are paying a great deal of attention to drafting and implementing an effective demographic policy, which recently has been exacerbated by population problems. "The principal strategy for solving them," Comrade L. I. Brezhnev said at the 26th CPSU Congress, "is to intensify concern for the family, for young married couples and above all for women." An interrelated set of measures aimed at improving the material prosperity and housing conditions and consumer services of families with children and young married couples and at expanding benefits and material aid have been outlined for implementation in the 11th Five-Year Plan.

A decree of the party and government has already been adopted on measures to strengthen state aid to families with children. Particular importance is being attributed to creating favorable working conditions for working women, for family leave, and for consumer and cultural services. Additional paid leave is being introduced to care for infants, preference is being given to expansion of benefits and advantages afforded to working women who are mothers.

In order to create conditions for women which make it possible for them to combine work and social production with child rearing, the practice of their working a short workday is becoming increasingly widespread in the national economy. USSR Goskomtrud [State Committee for Labor and Social Problems] and the AUCCTU, by agreement with USSR Gosplan, have approved a regulation on the procedure and conditions for women with children to work parttime.

The development of social security will be aimed at further improvement of the living and working conditions of retired people, at increasing the size of pensions for people who retired earlier, and at equalizing the pension rights of workers and kolkhoz members.

As of 1 November 1981 the minimum pension benefits established under the USSR Law on State Pensions were raised; women who have given birth to five or more children and who have brought them up to the age of 8 will qualify for pension with respect to age when they reach age 55 when they have not met the length-of-service requirement if they have worked at least 5 years, regardless of other qualifying conditions for awarding pensions.

Implementation of measures to strengthen state aid to families with children and to further improve the pension rights of the public will improve the material position of more than 4.5 million families with children and about 14 million retired persons. About 2.5 billion rubles will be spent for these purposes from the state budget.

The 26th CPSU Congress defined the strategies for further development of public education and the health system, for attainment of mass popularity of

physical fitness and athletics, and for improvement of the esthetic education of the workers. Expenditures from the USSR State Budget for social welfare and cultural measures in 1982 will reach 106.8 billion rubles, including 42.6 rubles for education, 15.4 billion for the health system and physical fitness and 48.8 billion rubles for state social security.

Within the program of measures aimed at increasing the prosperity of the people a large place is being given to guaranteeing conservation and optimum use of land, mineral resources, water resources, the plant world and the animal kingdom. Laws enacted by the USSR Supreme Soviet and the decisions of the CPSU Central Committee and USSR Council of Ministers envisage effective measures to protect the natural environment from pollution.

The measures outlined in the decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Stepping Up the Effort Toward the Saving and Efficient Use of Raw Materials, Fuel and Energy and Other Physical Resources" pursue that same goal of increasing appropriations which society can set aside for improving the well-being of the people. Assessment of the real return on the funds invested in these purposes should be approached with the same high exactingness. "Socialism," Comrade N. A. Tikhonov, chairman of the USSR Council of Ministers, noted in his address at the ceremonies devoted to the 63d anniversary of the Great October Socialist Revolution, "is a society in which the principle of optimum and economical utilization of all physical, financial and labor resources is operative."

The plan of economic and social development and the country's budget for 1982, approved by the November (1981) Plenum of the CPSU Central Committee and adopted by the USSR Supreme Soviet, are aimed at solving the main problem of the 5-year plan, at consistent performance of the social program adopted by the 26th CPSU Congress. Development of that complex of branches related to raising the material and cultural level of living of the population requires that every one of its units operate efficiently and in accordance with the growing needs of the workers. The program worked out by the party for improving management of the economy and planning, for stepping up the effect of the economic mechanism on increasing production efficiency creates the necessary prerequisites for this.

Not only do social welfare and cultural institutions and measures have to be funded completely and on schedule, but effective monitoring of expenditure of state funds also has to be established. There is a need for a more thorough study of their financial and economic operations, for competent audits to be conducted, in which particular attention should be made to the soundness of determination of staff size, wage rates and wage funds, to the correctness of computation and payment of the wage fund, and to enforcement of the established standard allowances for acquisition of minor equipment items, for food and for medicine.

In conjunction with public education authorities they should see that children's preschool institutions are put into service on schedule, that the school network and health care institutions are optimally located, and should also solve other urgent problems.

Taking as their point of departure the requirement defined by the 26th CPSU Congress--that the economy must be economical--and in conformity with the decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Stepping Up the Effort Toward the Saving and Efficient Use of Raw Materials, Fuel and Energy and Other Physical Resources," financial authorities must concentrate their activity on increasing the impact of financial-credit levers toward improving planning and expenditure of funds for social welfare and cultural programs.

On behalf of successful fulfillment of measures outlined by the party and government to strengthen aid to families with children and to further improve pension benefits financial authorities should monitor more closely the proper expenditure of funds earmarked for increasing minimum levels of state pensions for partial payment of infant care leave for working women and women on leave of absence to study, to pay the lump-sum benefit at childbirth and to increase the size of benefits to unwed mothers. Particular attention should be paid to audits of the accounts of kolkhozes and interfarm enterprises and organizations concerning transfers to the centralized union fund for the social security of kolkhoz members.

Extensive use of finance-credit levers in planning and spending funds for social welfare and cultural programs and strengthening the regime for economizing on physical, labor and financial resources are ingredients of the country's successful economic development and of a further rise of the prosperity of the people.

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